Mookgophong Local Municipality
Financial statements
for the year ended 30 June 2015
Auditor General of South Africa

General Information

Legal form of entity	South African category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Mookgophong Local Municipality is a local municipality performing functions as set out in the Constitution (Act no.105 of 1996)
Mayoral committee	
Executive Mayor	Mrs N. Monyamane
Councillors	Mr M.R Kekana (Chief Whip)
	Ms K.S Lamola
	Mr S.A Magowa
	Mr L.W Kola
	Ms M.S Langa
	Mr H.P Louw
	Mr S.P Mafuna
	Mr J.H kleynhans
	Mr C.N Van Der Merwe
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	Mr D. Eksteen
Accounting Officer	Mr O.P Sebola
Business address	Municipal Offices Nelson Mandela Drive Mookgophing 0560
Postal address	Private Bag X 340 Mookgophong 0560
Bankers	Standard Bank of South Africa
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the financial statements presented:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or surplus in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the management are primarily responsible for the financial affairs of the municipality, they are supported by the Independent consultants where necessary.

The financial statements set out on pages 4 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mr O.P Sebola
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is engaged in Mookgophong and Roedtan/Thusang and is a local municipality performing functions as set out in the constitution (act no.105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 174 272 097 and that the municipality's total assets exceed its liabilities by R 174 272 097.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer does not have an interest in any of the contracts entered into during the financial year ended 30 June 2015.

5. Accounting policies

The financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

No major changes in the nature or the policy relating to the use of non-current assets of the municipality occurred during the financial year.

7. Bankers

Accounts were held with the Standard bank of South Africa for the year ended 30 June 2015.

8. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	8	938 549	1 224 445
Construction contracts and receivables	9	-	934 318
Receivables from non-exchange transactions	10	47 544 739	38 671 829
VAT receivable	11	1 385 966	-
Consumer debtors	12	6 446 236	18 612 964
Cash and cash equivalents	13	823 650	1 015 362
		57 139 140	**60 458 918**
Non-Current Assets			
Investment property	3	17 027 464	17 012 753
Property, plant and equipment	4	230 292 770	201 339 397
Intangible assets	5	50 489	100 958
Heritage assets	6	180 521	60 821
Non-Current Asset held for sale		-	493 601
		247 551 244	**219 007 530**
Total Assets		**304 690 384**	**279 466 448**
Liabilities			
Current Liabilities			
Finance lease obligation	14	2 997 531	549 144
Payables from exchange transactions	19	80 221 941	51 853 237
VAT payable	20	-	1 894 735
Consumer deposits	21	3 563 339	3 521 152
Unspent conditional grants and receipts	15	10 303 257	6 972 330
Provision - Staff Leave	17	5 507 067	4 409 121
		102 593 135	**69 199 719**
Non-Current Liabilities			
Finance lease obligation	14	4 768 017	710 800
Employee benefit obligation	7	18 084 659	17 380 087
Provision - Landfill Site Rehabiliation	16	2 165 770	1 799 420
Provision - Long Service Awards	18	2 806 706	2 043 652
		27 825 152	**21 933 959**
Total Liabilities		**130 418 287**	**91 133 678**
Net Assets		**174 272 097**	**188 332 770**
Accumulated surplus		174 272 097	188 332 770

* See Note 40

Mookgophong Local Municipality
Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	44 794 887	46 383 846
Rental of facilities and equipment	34	319 404	260 538
Interest earned-outstanding receivables		6 087 698	5 849 367
Income from agency services		1 034 361	1 299 866
Licences and permits		2 587 329	2 917 792
Connections and reconnection fees		45 356	28 038
Other revenue		668 383	745 174
Insurance claims and cemetry fees		64 988	545 458
Interest received - investment	30	129 339	97 217
Total revenue from exchange transactions		**55 731 745**	**58 127 296**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	24 422 377	21 969 941
Transfer revenue			
Government grants & subsidies	25	73 293 416	43 615 362
Fines, Penalties and Forfeits		928 250	283 828
Donations Received		7 350 259	-
Total revenue from non-exchange transactions		**105 994 302**	**65 869 131**
Total revenue	22	**161 726 047**	**123 996 427**
Expenditure			
Employee related costs	27	(52 554 897)	(49 100 301)
Remuneration of councillors	28	(3 322 572)	(3 175 203)
Depreciation and amortisation	32	(15 120 616)	(25 959 073)
Impairment loss - Other Assets		(3 850 656)	-
Finance costs	33	(5 691 329)	(3 315 945)
Debt Impairment	29	(15 945 428)	(67 732)
Collection costs		(2 301 044)	(341 437)
Repairs and maintenance		(7 663 083)	(3 733 811)
Bulk purchases	36	(36 996 862)	(35 095 115)
Contracted services	35	(8 571 093)	(6 321 910)
General Expenses	26	(24 135 152)	(18 222 226)
Total expenditure		**(176 152 732)**	**(145 332 753)**
Operating deficit		**(14 426 685)**	**(21 336 326)**
(Loss) gain on disposal of assets and liabilities		(1 872 680)	1 647 773
Fair value adjustments	31	2 238 693	4 281 230
		366 013	**5 929 003**
Deficit for the year		**(14 060 672)**	**(15 407 323)**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	194 540 308	194 540 308
Adjustments		
Correction of Errors - Note	3 709 524	3 709 524
Balance at 01 July 2013 as restated*	**198 249 832**	**198 249 832**
Changes in net assets		
Surplus/(deficit) for the year	(15 407 322)	(15 407 322)
Correction of Error	5 490 260	5 490 260
Total changes	(9 917 062)	(9 917 062)
Restated* Balance at 01 July 2014	**188 332 770**	**188 332 770**
Changes in net assets		
Surplus/(deficit) for the year	(14 060 673)	(14 060 673)
Total changes	(14 060 673)	(14 060 673)
Balance at 30 June 2015	**174 272 097**	**174 272 097**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		64 506 784	57 156 443
Grants		77 497 000	44 187 000
Interest income		129 339	97 217
Other receipts		9 862 780	-
		151 995 903	101 440 660
Payments			
Employee costs		(55 172 897)	(50 182 691)
Suppliers		(50 448 417)	(28 816 382)
Finance costs		(5 691 329)	(3 315 945)
		(111 312 643)	(82 315 018)
Net cash flows from operating activities	37	**40 683 260**	**19 125 642**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(47 380 576)	(13 338 527)
Cash flows from financing activities			
Finance lease payments		6 505 604	1 220 204
Net increase/(decrease) in cash and cash equivalents		**(191 712)**	**7 007 319**
Cash and cash equivalents at the beginning of the year		1 015 362	(5 991 957)
Cash and cash equivalents at the end of the year	13	**823 650**	**1 015 362**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	52 470 000	(800 000)	**51 670 000**	44 794 887	**(6 875 113)**	Note 52.1
Rental of facilities and equipment	-	-	-	319 404	**319 404**	Note 52.9
Interest received (trading)	4 100 000	2 500 000	**6 600 000**	6 087 698	**(512 302)**	
Agency services	5 123 600	101 900	**5 225 500**	1 034 361	**(4 191 139)**	Note 52.1
Licences and permits	-	-	-	2 587 329	**2 587 329**	Note 52.1
Fines	73 500	(20 000)	**53 500**	45 356	**(8 144)**	
Other revenue	3 169 300	(1 180 000)	**1 989 300**	668 383	**(1 320 917)**	Note 52.10
Cemetry fees	-	-	-	64 988	**64 988**	
Interest received - investment	40 000	5 000	**45 000**	129 339	**84 339**	Note 52.11
Total revenue from exchange transactions	**64 976 400**	**606 900**	**65 583 300**	**55 731 745**	**(9 851 555)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21 066 000	1 550 000	**22 616 000**	24 422 377	**1 806 377**	
Transfer revenue						
Government grants & subsidies	38 478 000	500 000	**38 978 000**	73 293 416	**34 315 416**	
Fines, Penalties and Forfeits	-	-	-	928 250	**928 250**	
Other transfer revenue 1	-	-	-	7 350 259	**7 350 259**	
Total revenue from non-exchange transactions	**59 544 000**	**2 050 000**	**61 594 000**	**105 994 302**	**44 400 302**	
Total revenue	**124 520 400**	**2 656 900**	**127 177 300**	**161 726 047**	**34 548 747**	
Expenditure						
Personnel	(46 409 779)	(2 623 000)	**(49 032 779)**	(52 554 897)	**(3 522 118)**	
Remuneration of councillors	(3 346 805)	-	**(3 346 805)**	(3 322 572)	**24 233**	
Depreciation and amortisation	(16 544 000)	-	**(16 544 000)**	(15 120 616)	**1 423 384**	
Impairment loss/ Reversal of impairments	-	-	-	(3 850 656)	**(3 850 656)**	Note 52.12
Finance costs	(1 150 240)	(4 354 500)	**(5 504 740)**	(5 691 329)	**(186 589)**	
Debt impairmenrt	(1 300 000)	(2 000 000)	**(3 300 000)**	(15 945 428)	**(12 645 428)**	Note 52.3
Collection costs	-	-	-	(2 301 044)	**(2 301 044)**	Note 52.4
Repairs and maintenance	(7 347 000)	(638 600)	**(7 985 600)**	(7 663 083)	**322 517**	Note 52.5
Bulk purchases	(37 996 000)	40 000	**(37 956 000)**	(36 996 862)	**959 138**	
Contracted Services	(4 827 652)	(871 500)	**(5 699 152)**	(8 571 093)	**(2 871 941)**	Note 52.5
General Expenses	(17 008 000)	(69 000)	**(17 077 000)**	(24 135 152)	**(7 058 152)**	Note 52.6
Total expenditure	**(135 929 476)**	**(10 516 600)**	**(146 446 076)**	**(176 152 732)**	**(29 706 656)**	
Operating deficit	**(11 409 076)**	**(7 859 700)**	**(19 268 776)**	**(14 426 685)**	**4 842 091**	
Loss on disposal of assets and liabilities	-	-	-	(1 872 680)	**(1 872 680)**	
Fair value adjustments	-	-	-	2 238 693	**2 238 693**	
	-	**-**	**-**	**366 013**	**366 013**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**(11 409 076)**	**(7 859 700)**	**(19 268 776)**	**(14 060 672)**	**5 208 104**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(11 409 076)**	**(7 859 700)**	**(19 268 776)**	**(14 060 672)**	**5 208 104**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 340 000	-	**1 340 000**	938 550	**(401 450)**	Note 52.7
Construction contracts and receivables	500 000	-	**500 000**	-	**(500 000)**	
Receivables from non-exchange transactions	-	-	-	47 544 738	**47 544 738**	Note 52.7
VAT receivable	-	-	-	1 385 966	**1 385 966**	
Consumer debtors	38 849 000	-	**38 849 000**	6 446 236	**(32 402 764)**	Note 52.7
Cash and cash equivalents	1 800 000	-	**1 800 000**	823 650	**(976 350)**	
	42 489 000	-	**42 489 000**	**57 139 140**	**14 650 140**	
Non-Current Assets						
Investment property	11 564 000	-	**11 564 000**	17 027 464	**5 463 464**	Note 52.7
Property, plant and equipment	152 300 000	-	**152 300 000**	230 292 770	**77 992 770**	Note 52.7
Intangible assets	-	-	-	50 489	**50 489**	
Heritage assets	-	-	-	180 521	**180 521**	
	163 864 000	-	**163 864 000**	**247 551 244**	**83 687 244**	
Total Assets	**206 353 000**	-	**206 353 000**	**304 690 384**	**98 337 384**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	2 997 531	**2 997 531**	Note 52.7
Payables from exchange transactions	21 525 000	-	**21 525 000**	80 221 941	**58 696 941**	Note 52.7
Consumer deposits	3 470 000	-	**3 470 000**	3 563 339	**93 339**	
Unspent conditional grants and receipts	-	-	-	10 303 257	**10 303 257**	Note 52.7
Provision - Landfill Site Rehabiliation	4 278 000	-	**4 278 000**	-	**(4 278 000)**	
Provision - Staff Leave	-	-	-	5 507 067	**5 507 067**	
	29 273 000	-	**29 273 000**	**102 593 135**	**73 320 135**	
Non-Current Liabilities						
Finance lease obligation	-	-	-	4 768 017	**4 768 017**	
Employee benefit obligation	-	-	-	18 084 659	**18 084 659**	Note 52.7
Provision - Landfill Site Rehabiliation	24 579 000	-	**24 579 000**	2 165 770	**(22 413 230)**	Note 52.7
Provision - Long Service Awards	-	-	-	2 806 706	**2 806 706**	
	24 579 000	-	**24 579 000**	**27 825 152**	**3 246 152**	
Total Liabilities	**53 852 000**	-	**53 852 000**	**130 418 287**	**76 566 287**	
Net Assets	**152 501 000**	-	**152 501 000**	**174 272 097**	**21 771 097**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	152 501 000	-	**152 501 000**	174 272 097	**21 771 097**	

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, .its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

Accounting Policies

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 years
Plant and machinery	2 to 20 years
Furniture and fixtures	7 to 10 years
Motor vehicles	2 to 20 years
Office equipment	3 to 7 years
Infrastructure	
• Roads and Paving	10 to 25 years
• Electricity Networks	20 to 30 years
• Water Networks	15 to 20 years
• Sewerage Networks	15 to 20 years
Community	
• Sport Facilities	30 years
• Cemetries	30 years
• Libraries and Halls	30 years
• Parks and Gardens	30 years
Security measures	3 to 15 years
Bins and containers	2 to 20 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

1.8 Heritage assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Accounting Policies

1.9 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables fron non-exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Unspent conditional grants	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Accounting Policies

1.11 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

1.13 Impairment of cash-generating assets (continued)

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.13 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.16 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.16 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.19 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from grants is recognised to the extent that there has been compliance with any restrictions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability.

1.28 Changes in Accounting Policies, Changes in Accounting Estimates and Errors

Changes in Accounting Policies

An entity will only change an accounting policy if the change is required by a Standard of GRAP or will result in the financial statements providing reliable or more relevant information.

The first-time application of an accounting policy to transactions or events that differ substantially from those that occurred previously or are occurring for the first time (or were previously regarded as being immaterial), is not a change in accounting policy.

Applying changes in Accounting Policies

A change in accounting policy resulting from the initial application of a Standard will be applied in accordance with the transitional provisions of that Standard. In the case of a voluntarily change or when no transitional provisions are specified, the change is applied retrospectively except if it is impracticable. Applying a change retrospectively entails adjusting the opening balance of each affected component of net assets and other comparative amounts disclosed for each period presented as if the new policy has always been applied.

Disclosure

When retrospectively applying a Standard of GRAP for the first time, the entity will disclose:

- Title of the Standard and the nature of the change
- Whether the transitional provisions are applied together with a description thereof.
- Amount of the adjustment to each financial statement line item affected for each period presented.
- Adjustments that relate to periods before those presented.
- If retrospective application is impracticable, the circumstances surrounding that condition and a description of how the accounting policy has been applied.

Upon a voluntary change in accounting policy the following are disclosed in the financial statements:

- Nature of the change and reasons why it provides reliable and more relevant information
- Amount of the adjustment to each financial statement line item affected for each period presented
- Amount of the adjustment relating to periods before those presented

1.28 Changes in Accounting Policies, Changes in Accounting Estimates and Errors (continued)

- If retrospective application is impracticable, the circumstances that led to that condition and a description of how and from when the change in accounting policy has been applied.

When a Standard of GRAP has been issued but is not yet effective, the entity will disclose this fact as well as a reasonable estimate of the possible impact it will have on future periods.

Changes in Accounting Estimates

As a result of the uncertainties inherent in delivering service and conducting other business activities, many items in financial statements cannot be measured with precision but require estimation. An estimate may need revision if changes occur in the circumstances on which the estimate was based, or as a result of new information or more experience.

A change in an accounting estimate is recognised prospectively by including the effects in surplus or deficit in the period that is effected (current and/or future) except if the change in estimate gives rise to changes in assets, liabilities or net assets. In this case, it is recognised by adjusting the carrying amount of the related asset, liability or net asset in the period of the change.

An entity is required to disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in the future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

Errors

Errors may arise from mistakes and oversights or misinterpretation of available information. Material prior-period errors are adjusted retrospectively (that is, by restating comparative figures), unless this is impracticable.

The nature of the prior period error and the amount of the correction on each of the financial statement line items affected are required to be disclosed.

Notes to the Financial Statements

Figures in Rand	2015	2014

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There are no standards and interpretations that are effective for the current financial year and that are relevant to the municipality and its operations.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Figures in Rand	2015	2014

3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	17 027 464	-	17 027 464	17 012 753	-	17 012 753

Reconciliation of investment property - 2015

	Opening balance	Write -off	Fair value adjustments	Total
Investment property	17 012 753	(1 474 906)	1 489 617	17 027 464

Reconciliation of investment property - 2014

	Opening balance	Transfers received	Total
Investment property	15 501 540	1 511 213	17 012 753

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	53 941 506	(17 102 063)	36 839 443	56 640 378	(16 463 177)	40 177 201
Infrastructure	260 494 989	(120 090 721)	140 404 268	246 067 960	(111 459 627)	134 608 333
Community	7 137 846	(303 251)	6 834 595	6 144 203	(1 366 408)	4 777 795
Work in Progress	38 725 247	-	38 725 247	18 248 716	-	18 248 716
Other property, plant and equipment	15 773 575	(8 284 358)	7 489 217	22 743 909	(19 216 557)	3 527 352
Total	**376 073 163**	**(145 780 393)**	**230 292 770**	**349 845 166**	**(148 505 769)**	**201 339 397**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Correction of error	Gain/(losses) on Disposals	Transfers	Write off	WIP release	Depreciation	Impairment reversal	Total
Land	40 177 201	-	(1 697 577)	-	493 601	(335 783)	-	(2 028 067)	230 068	36 839 443
Infrastructure	134 608 333	9 167 359	(937 693)	-	(287 461)	162 675	6 517 168	(8 826 113)	-	140 404 268
Community	4 777 795	-	749 076	-	(1 511 214)	-	3 040 468	(221 530)	-	6 834 595
Work in Progress	18 248 716	30 034 167	-	-	-	-	(9 557 636)	-	-	38 725 247
Other property, plant and equipment	3 527 351	7 866 227	51 959	62 795	-	-	-	(4 019 115)	-	7 489 217
	201 339 396	**47 067 753**	**(1 834 235)**	**62 795**	**(1 305 074)**	**(173 108)**	**-**	**(15 094 825)**	**230 068**	**230 292 770**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Write-off:Cost	Disposals	Classified as held-for-sale	Transfers	Impairment reversal	Correction of error	WIP release	Depreciation	Impairment loss	Write-off:Depreciation	Total
Land	52 895 654	464 669	-	-	(493 601)	(1 511 213)	-	230 068	-	(2 326 419)	(9 081 957)	-	40 177 201
Infrastructure	132 854 570	647 525	-	(13 440)	-	-	(917 664)	(21 146)	12 948 538	(10 891 145)	-	1 095	134 608 333
Community	5 478 964	-	(500)	-	-	-	-	-	-	(700 767)	-	98	4 777 795
Work in Progress	22 828 394	9 027 807	-	-	-	(13 607 485)	-	-	-	-	-	-	18 248 716
Other property, plant and equipment	3 362 981	2 439 928	34 721	(337 253)	-	-	-	17 630	-	(1 857 566)	(133 090)	-	3 527 351
	217 420 563	**12 579 929**	**34 221**	**(350 693)**	**(493 601)**	**(15 118 698)**	**(917 664)**	**226 552**	**12 948 538**	**(15 775 897)**	**(9 215 047)**	**1 193**	**201 339 396**

The municipality has donated R293-(RDP Housing) land to the Limpopo Department of Local Gevernment and Housing in 1998 (now called Co-operative Governance and Traditional Affairs) to be allocated to previously disadvantaged communities that did not own land prior to 1994. The allocated properties were not transferred yet into the beneficiries names and are therefore still registered in the name of the Municipality. This land is however not reflected on the Municipality's asset register as it was rightfully allocated to third parties not under the control of the Municipality and hence the proper value of the assets could not be ascertained.

Pledged as security

No property,plant and equipment was pledged as security:

4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Changes in Accounting Estimates

The Municipality reviews the remaining useful life of every movable asset on an annual basis year. All categories remaining useful life was reviewed and the effect is shown in the table below:

Asset Type	Depreciation 2014	Depreciation 2015
Emergency Equipment	1 253	2 506
Furniture and Fittings	82 966	106 164
Office Equipment	80 806	141 040
Plant and Equipment	68 820	104 266
Vehicle	379 828	527 435
	613 673	**881 411**

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	924 522	(874 033)	50 489	924 522	(823 564)	100 958

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	100 958	(50 469)	50 489

Reconciliation of intangible assets - 2014

	Opening balance	Total
Computer software	100 958	100 958

Other information

Intangible assets with indefinite lives consists of computer software licenses and the right to use computerised programmes.

6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	180 521	-	180 521	60 821	-	60 821

Reconciliation of heritage assets 2015

Notes to the Financial Statements

Figures in Rand	2015	2014

6. Heritage assets (continued)

	Opening balance	Correction of error	Total
Art Collections, antiquities and exhibits	60 821	119 700	180 521

7. Employee benefit obligations

Defined benefit plan

Post retirement healthcare plan

The municiplaity offers employees and continued members the opportunty of belonging to one of several medical aid schemes, most of which offer a range of options pertainin to levels of cover. In-service members who joined the municipality on or before 1 December 2005 will receive a post-eployment subsidy of 60% of the contribution payable, except for four of the older continuation members who are receiving a 70% subsidy. Widow(er)s and orphans of eligble in-service members are entitled to receive the same subsidy(60%) on and after the death of an inservice employee. Upon a members deathin-service or death-in-retirement, the surviving dependents will continue to receive the same subisidy of between 60% and 70%.

Arch Acturial Consulting CC was appointed by the municipality to determine the actuarial valuains towards the post employment healthcare benefits.
The municipality contributes towards the following defined benefit plans:

Key Health
Bonitas
LA Health
SAMWUmed

In estimating the liability for post-employment healthcare benefits, a number of assumptions are required. GRAP 25 statement places the responsibility on management to set these assumptions as guided by the principles set out in the statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post employment healthcare arrangement-this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service cost are recognised over time.

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(17 380 087)	(13 365 118)
Actuarial gains/(losses)	440 027	(3 222 581)
Contributions/Employee Benefit payments	647 016	502 944
Current service cost	(275 125)	(197 396)
Interest cost	(1 516 490)	(1 097 936)
	(18 084 659)	**(17 380 087)**

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	275 125	197 396
Interest cost	1 516 490	1 097 936
Actuarial (gains) losses	(440 027)	3 222 581
Contributions/Employer benefit payments	(647 016)	(502 944)
	704 572	**4 014 969**

Figures in Rand	2015	2014

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rates used	8,85 %	8,89 %
Healthcare cost inflation	7,94 %	8,10 %
Net effective discount rate	0,84 %	0,73 %

The demographic key assumptions used at the reporting date is as follows:

-Average retirement rate: 63 (2014:63)

-Continuation of membership after retirement: 98% (2014:98%)

-Proportion assumed married at retirement : 90% (2014: 90%)

-Mortality during employment: 85-90 (2014:SA 85-90)

-Mortality post-retirement: PA (90) - (2014:(90)-1)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	2 085 500	1 542 400

	2015 R	2014 R	2013 R	2012 R	2011 R
Present value defined benefit obligation	18 084 659	17 380 087	13 365 118	9 449 637	8 238 080

Defined contribution plan

The municipality contributes to the following defined contribution pension plans:

SAMWU Provident Fund
National Fund for Municipal Workers
Municipal Gratuity Fund
Municipal Employee Fund
Joint Munucipal Pension Fund
Municipal Councillors Pension Fund
Government Employe Pension Fund
SALA Pension Fund
National Fund for Municipal Workers-2% Fund
Imatu Pension Fund

Other defined contribution plan

8. Inventories

	2015	2014
Consumable stores	911 466	1 202 298
Water	27 083	22 147
	938 549	**1 224 445**

Notes to the Financial Statements

Figures in Rand	2015	2014

9. Construction contracts and receivables

Contracts in progress at statement of financial position date

	2015	2014
Construction contracts and receivables	-	934 318

10. Receivables from non-exchange transactions

	2015	2014
Rates debtors	45 674 455	38 026 467
Other debtors	1 494 499	281 587
Other deposits	148 616	148 324
Other receivables from non-exchange revenue	26 402	121 060
Traffic fines	200 767	94 391
	47 544 739	**38 671 829**

11. VAT receivable

	2015	2014
VAT receivable was calculated as follows:		
VAT Receivable	5 215 696	-
VAT Payable	(2 615 983)	-
Difference due to accrual vs cash basis	(1 213 748)	-
	1 385 965	-

12. Consumer debtors

	2015	2014
Gross balances		
Electricity	14 748 792	15 911 192
Water	7 075 194	5 753 521
Sewerage	6 767 725	5 049 776
Refuse	5 665 802	3 598 798
Other (specify)	2 140 740	2 306 266
	36 398 253	**32 619 553**

	2015	2014
Less: Allowance for impairment		
Electricity	(11 646 606)	(7 012 950)
Water	(5 819 505)	(2 598 952)
Sewerage	(6 086 169)	(1 887 554)
Refuse	(5 135 184)	(1 627 222)
Other (specify)	(1 264 554)	(879 911)
	(29 952 018)	**(14 006 589)**

	2015	2014
Net balance		
Electricity	3 102 186	8 898 242
Water	1 255 689	3 154 569
Sewerage	681 556	3 162 222
Refuse	530 618	1 971 576
Other (specify)	876 187	1 426 355
	6 446 236	**18 612 964**

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Consumer debtors (continued)

	2015	2014
Electricity		
Current (0 -30 days)	253 161	1 894 604
31 - 60 days	664 428	1 071 064
61 - 120 days	317 242	1 123 453
120 - 365 including> 365 days	11 174 520	11 324 351
Payments received in advance	2 339 441	497 721
Less Impairment	(11 646 606)	(7 012 951)
	3 102 186	**8 898 242**

	2015	2014
Water		
Current (0 -30 days)	-	374 832
31 - 60 days	-	335 399
61 - 120 days	251 209	466 910
120 - 365 including > 365 daysdays	5 949 420	4 263 319
Payments received in advance	874 565	313 061
Less Impairment	(5 819 505)	(2 598 952)
	1 255 689	**3 154 569**

	2015	2014
Sewerage		
Current (0 -30 days)	190 096	207 138
31 - 60 days	283 752	237 685
61 - 120 days	516 249	402 973
120 - 365 including > 365 days	5 494 659	3 146 484
Payment received in advance	282 969	1 055 497
Less impairment	(6 086 169)	(1 887 555)
	681 556	**3 162 222**

	2015	2014
Refuse		
Current (0 -30 days)	289 241	207 857
31 - 60 days	272 735	178 373
61 - 120 days	463 973	347 287
120 - 365 including >365 days	463 973	2 736 941
Payment received in advance	4 175 880	128 340
Less impairment	(5 135 184)	(1 627 222)
	530 618	**1 971 576**

	2015	2014
Other (specify)		
Current (0 -30 days)	-	119 350
31 - 60 days	-	33 659
61 - 120 days	-	43 234
120 -365 including>365 days	1 347 372	1 849 341
Payments received in advance	793 367	260 682
Less impairment	(1 264 552)	(879 911)
	876 187	**1 426 355**

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Consumer debtors (continued)

Summary of debtors by customer classification

	2015	2014
Household Consumers		
Current (0 -30 days)	5 599 655	6 222 189
31 - 60 days	1 701 484	1 997 330
61 - 90 days	1 309 113	1 481 629
91 - 120 days	34 129 845	27 582 923
	42 740 097	37 284 071
Less: Allowance for impairment	(17 805 093)	(7 313 341)
	24 935 004	**29 970 730**

	2015	2014
Industrial/ commercial		
Current (0 -30 days)	6 364 261	3 524 810
31 - 60 days	859 983	1 336 749
61 - 90 days	698 460	999 140
91 - 120 days	1 600 677	1 824 010
121 - 365 days	19 634 607	18 534 011
	29 157 988	26 218 720
Less: Allowance for impairment	(12 146 924)	(6 693 248)
	17 011 064	**19 525 472**

	2015	2014
National and provincial government		
Current (0 -30 days)	308 395	668 715
31 - 60 days	301 479	317 639
61 - 90 days	282 127	486 357
91 - 120 days	6 984 225	250 182
121 - 365 days	-	5 726 900
	7 876 226	**7 449 793**

	2015	2014
Total		
Current (0 -30 days)	12 272 311	10 415 714
31 - 60 days	2 862 947	3 651 718
61 - 90 days	2 289 700	2 967 126
91 - 120 days	62 349 384	1 512 875
121 - 365 days	-	14 072 120
	79 774 342	32 619 553
Less: Allowance for impairment	(73 328 106)	(14 006 589)
	6 446 236	**18 612 964**

	2015	2014
Less: Allowance for impairment		
> 365 days	(29 952 017)	(14 006 589)

	2015	2014
Reconciliation of allowance for impairment		
Balance at beginning of the year	(14 006 589)	(13 938 857)
Contributions to allowance	(15 945 428)	(67 732)
	(29 952 017)	**(14 006 589)**

Consumer debtors pledged as security

None of the Consumer debtors were pledged as security for overdraft facilities.

Figures in Rand	2015	2014

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 310	6 310
Bank balances	755 380	119 618
Call deposits	61 960	889 434
	823 650	**1 015 362**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2015	30 June 2014	30 June 2013	Cash book balances 30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Current Account - 108-057-0097	-	-	122 082	-	-	(6 331 879)
STANDARD BANK -Call Deposit- 348-714-238-003	41 779	849 453	137 597	41 779	849 453	137 597
ABSA BANK -Call Account - 407-807-8429	-	-	196 015	-	-	196 015
ABSA BANK - Call Account - 928-651-1602	20 181	39 981	-	20 181	39 982	-
STANDARD BANK - Current Account - 031-702-32500	804 411	119 618	-	755 380	119 618	-
Total	**866 371**	**1 009 052**	**455 694**	**817 340**	**1 009 053**	**(5 998 267)**

14. Finance lease obligation

Minimum lease payments due		
- within one year	3 730 249	712 938
- in second to fifth year inclusive	5 254 285	780 561
	8 984 534	1 493 499
less: future finance charges	(1 218 986)	(233 555)
Present value of minimum lease payments	**7 765 548**	**1 259 944**

Present value of minimum lease payments due		
- within one year	2 997 531	710 800
- in second to fifth year inclusive	4 768 017	549 144
	7 765 548	**1 259 944**

Non-current liabilities	4 768 017	710 800
Current liabilities	2 997 531	549 144
	7 765 548	**1 259 944**

It is the municipality's policy to lease certain property, plant and equipment under finance leases.

The municiplaity entered into a finance lease agreement with Callsave- (Internet). The lease agreeement was entered into on 1 September 2013. The monthly lease payment amounts to R 38 366.54. The lease term is 3 years. The effective interest rate was 17.65 %.

The municipality entered into a lease agreement with Panasonic (Photocopying Machines). The lease agreement was entered into on 1 September 2013. The monthly lease payments amounts to R 21 044.98. The lease term is for 3 years at an effective interest rate of 13.3%.

The municipality entered into a lease agreement with Boka-Neo Investments(Vehicles). The lease agreement was entered into 11 February 2015. The lease term is for 3 years at an effective interest rate of 11.75%.

Notes to the Financial Statements

Figures in Rand	2015	2014

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7 203 583	3 872 657
Housing Grant	2 901 261	2 901 261
Grant from Waterberg District Municipality	61 112	61 112
Lotto Grant	137 300	137 300
	10 303 256	**6 972 330**

Movement during the year

Balance at the beginning of the year	6 972 330	9 600 692
Additions during the year	46 634 000	15 173 000
Income recognition during the year	(43 303 073)	(17 801 362)
	10 303 257	**6 972 330**

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are not invested in a ring-fenced investment until utilised.

16. Provision - Landfill Site Rehabiliation

Reconciliation of provision - landfill site rehabiliation - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	1 799 420	366 350	2 165 770

Reconciliation of provision - landfill site rehabiliation - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	1 697 566	101 854	1 799 420

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The calculation is based on the present value of the future obligation,discounted at 6% over an average period of 87 years.

17. Provision - Staff Leave

Opening Balance	4 409 121	3 513 876
Additions	1 543 797	1 617 567
Expenditure during the year	(445 851)	(722 322)
	5 507 067	**4 409 121**

18. Provision - Long Service Awards

Opening Balance	2 043 652	1 922 156
Acturial Loss/ (Gain)	543 138	435 251
Expected Benefit Savings	(176 767)	(313 755)
Interest and Current service cost	396 683	-
	2 806 706	**2 043 652**

Notes to the Financial Statements

Figures in Rand	2015	2014

19. Payables from exchange transactions

	2015	2014
Trade payables	61 471 397	39 847 413
Debtors with credit balances	10 879 970	5 840 141
Retentions	3 762 881	2 183 852
Sundry Payables	3 140 416	3 250 238
Accrued 13th cheque	967 277	731 593
	80 221 941	**51 853 237**

20. VAT payable

	2015	2014
Tax refunds payables	-	1 894 735

The municipality is registered on the receipt basis for VAT purposes. Payment to SARS is made only once payment is received from debtors and claimable when payments were effected to suppliers.

VAT returns have been submitted by the due date throughout the financial year.

21. Consumer deposits

	2015	2014
Electricity and Water	3 563 339	3 521 152

Consumer deposits are raised when a service account is opened and are refunded to the consumer after the account is closed.

No interest is paid for deposits held on behalf of consumers.

There are no guarantees held in lieu of electricity and water deposits.

22. Revenue

	2015	2014
Service charges	44 794 887	46 383 846
Rental of facilities and equipment	319 404	260 538
Interest received (trading)	6 087 698	5 849 367
Agency services	1 034 361	1 299 866
Licences and permits	2 587 329	2 917 792
Fines	45 356	28 038
Other income	668 383	745 174
Cemetry fees	64 988	545 458
Interest received - investment	129 339	97 217
Property rates	24 422 377	21 969 941
Government grants & subsidies	73 293 416	43 615 362
Fines, Penalties and Forfeits	928 250	283 828
Other transfer revenue 1	7 350 259	-
	161 726 047	**123 996 427**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2015	2014
Service charges	44 794 887	46 383 846
Rental of facilities and equipment	319 404	260 538
Interest received (trading)	6 087 698	5 849 367
Agency services	1 034 361	1 299 866
Licences and permits	2 587 329	2 917 792
Fees earned	45 356	28 038
Other income	668 383	745 174
Cemetry fees	64 988	545 458
Interest received - investment	129 339	97 217
	55 731 745	**58 127 296**

Notes to the Financial Statements

Figures in Rand	2015	2014

22. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	24 422 377	21 969 941
Transfer revenue		
Government grants & subsidies	73 293 416	43 615 362
Fines, Penalties and Forfeits	928 250	283 828
Other transfer revenue 1	7 350 259	-
	105 994 302	**65 869 131**

23. Property rates

Rates received

Rates	26 267 963	11 317 827
Less: Income forgone	(1 845 586)	10 652 114
	24 422 377	**21 969 941**

Valuations

Residential	(1 993 917 641)	(1 913 249 410)
Commercial	(283 948 448)	(388 270 477)
Agriculture	(4 267 633 160)	(3 978 206 706)
Municipal and other	(210 606 200)	(74 153 300)
State	(73 175 100)	(80 880 200)
	(6 829 280 549)	**(6 434 760 093)**

Valuations on land and buildings are performed every four years.The last valuation came into effect on 1 July 2013.Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The valuation roll was certified on 28 February 2013 by the Municipal Manager.

24. Service charges

Sale of electricity	30 902 005	32 830 206
Sale of water	4 240 385	5 167 001
Sewerage and sanitation charges	4 681 588	4 086 225
Refuse removal	4 970 910	4 300 414
	44 794 888	**46 383 846**

Figures in Rand	2015	2014

25. Government grants and subsidies

Operating grants		
Equitable share	33 863 000	29 014 000
Expanded Public Works Programme	1 134 000	1 000 000
Financial Management Grant	1 800 000	1 650 000
Municipal Systems Improvement Grant	934 000	890 000
	37 731 000	32 554 000
Capital grants		
Municipal Infrastructure Grant	35 562 417	11 061 362
	35 562 417	11 061 362
	73 293 417	**43 615 362**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of operations within the municipality.

Municipal Infrastructure Grant

Balance unspent at beginning of year	3 872 657	6 501 019
Current-year receipts	42 766 000	11 633 000
Conditions met - transferred to revenue	(35 562 417)	(11 061 362)
Refunded	(3 872 657)	(3 200 000)
	7 203 583	**3 872 657**

Conditions still to be met - remain liabilities (see note 15).

The intention of the grant is to provide funding for infrastructure capital projects. The unspent amount is committed to capital projects still under construction.

Municipal Systems Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The grant is meant to assist the municipality in the improvement of system related transactions.

Financial Management Grant

Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement Municipal Finance Management Act and progressive financial reporting.

Housing Grant

Balance unspent at beginning of year	2 901 261	2 901 261

Notes to the Financial Statements

Figures in Rand	2015	2014

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

Waterberg District Council Grant-in-aid (Welgevonden Pipeline)

Balance unspent at beginning of year	61 112	61 112

Conditions still to be met - remain liabilities (see note 15).

Lotto Grant

Balance unspent at beginning of year	137 300	137 300

Conditions still to be met - remain liabilities (see note 15).

Expanded Public Works Programme Grant

Current-year receipts	1 134 000	1 000 000
Conditions met - transferred to revenue	(1 134 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

26. General expenses

Advertising	204 634	193 968
Auditors remuneration	2 624 764	1 975 124
Bank charges	105 208	193 463
Entertainment	-	8 651
Finance Management	1 800 000	1 108 793
Free Basic Services	3 512 364	1 083 868
Municipal Systems Improvement	934 000	517 544
Insurance	355 368	365 746
Conferences and seminars	268 479	245 114
Postage and courier	135 178	187 660
Printing and stationery	843 412	594 625
Subscriptions and membership fees	540 032	341 330
Telephone and fax	554 226	80 000
Training	273 183	330 533
Travel - local	1 177 493	1 036 033
Mayoral Community Work Programmes	1 251 760	394 071
IDP Review	446 365	190 034
Vehicle Cost	4 726 191	3 819 099
Expanded Public Works Programme	1 134 000	1 329 745
Chemicals	462 434	225 756
Other expenses	2 786 061	4 001 070
	24 135 152	**18 222 227**

Figures in Rand	2015	2014

27. Employee related costs

Basic	27 583 546	24 703 285
Bonus	1 835 369	1 829 307
Medical aid - company contributions	2 561 068	3 609 562
UIF	302 580	279 996
SDL	392 116	359 609
Other payroll levies	17 934	15 251
Leave pay provision charge	1 779 480	-
Allowance-Night Shift	124 836	109 382
Allowance- Protective Clothing	401 395	45 214
Allowance-Standby	1 486 818	841 819
Defined contribution plans	6 706 071	9 389 773
Travel, motor car, accommodation, subsistence and other allowances	3 164 519	2 791 911
Overtime payments	2 569 232	3 771 880
Long-service awards	837 208	127 196
Acting allowances	1 805 640	424 604
Housing benefits and allowances	56 121	40 168
Other allowances	30 600	24 000
Group Insurance	247 941	184 556
Allowance-Tools	8 909	8 472
Allowance-Telephone	643 516	544 315
	52 554 899	**49 100 300**

Remuneration of Municipal Manager

Annual Remuneration	687 309	665 213
Contributions to UIF, Medical and Pension Funds	9 293	10 233
Other	79 338	224 554
	775 940	**900 000**

Remuneration of Chief Financial Officer

Annual Remuneration	708 227	663 422
Allowances	239 122	223 167
Contributions to UIF, Medical and Pension Funds	10 780	10 867
Leave Payout	-	65 053
	958 129	**962 509**

Remuneration of other directors

Annual Remuneration	793 921	497 070
Car Allowance	264 468	167 667
Contributions to UIF, Medical and Pension Funds	169 487	155 263
	1 227 876	**820 000**

28. Remuneration of councillors

Mayor	697 231	659 151
Councillors	678 891	682 447
Chief Whip	529 040	500 480
Chairperson Sec 79 Committee	1 417 410	1 368 411
Overpayment transferred to receivables	-	(35 286)
	3 322 572	**3 175 203**

Figures in Rand	2015	2014

28. Remuneration of councillors (continued)

In-kind benefits

The Mayor and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to make use of a Council owned vehicles for official duties.

The Mayor has a full time driver.

29. Debt impairment

Debt impairment	15 945 428	67 732

30. Investment revenue

Interest revenue		
Investments Accounts	129 339	97 217

31. Fair value adjustments

Investment property (Fair value model)	2 238 693	4 281 230

32. Depreciation and amortisation

Property, plant and equipment	15 120 616	25 959 073

33. Finance costs

Trade and other payables	5 691 329	3 315 945

34. Rental of facilities and equipment

Premises		
Banquet Hall	8 496	19 379
Buildings	243 188	184 950
Hostels	48 220	31 974
	299 904	**236 303**
Facilities and equipment		
Land	19 500	22 729
Service Lanes	-	1 506
	19 500	**24 235**
	319 404	**260 538**

35. Contracted services

Information Technology Services	1 104 495	529 523
Operating Leases	511 276	720 101
Specialist Services	6 640 518	4 902 256
Other Contractors	314 804	170 030
	8 571 093	**6 321 910**

Notes to the Financial Statements

Figures in Rand	2015	2014

36. Bulk purchases

Electricity	36 996 862	35 095 115

37. Cash generated from operations

Deficit	(14 060 673)	(15 407 322)
Adjustments for:		
Depreciation and amortisation	15 120 616	25 959 073
Gain on sale of assets and liabilities	1 872 680	-
Fair value adjustments	(2 238 693)	(4 281 230)
Impairment deficit	3 850 656	-
Debt impairment	15 945 428	67 732
Movements in retirement benefit assets and liabilities	704 572	2 092 813
Movements in provisions	354 671	(2 217 063)
Transfer to accumulated surplus	-	8 002 056
Acturial Gain / (Loss)	-	(1 647 773)
Changes in working capital:		
Inventories	285 895	(209 543)
Receivables from exchange transactions	(3 778 700)	(934 318)
Consumer debtors	-	(6 218 719)
Other receivables from non-exchange transactions	(8 872 909)	(12 906 329)
Construction contracts and receivables	934 318	-
Movement in Investment	2 104 282	-
Payables from exchange transactions	28 368 704	30 678 659
VAT	(3 280 701)	(1 355 992)
Unspent conditional grants and receipts	3 330 927	(2 628 363)
Consumer deposits	42 187	131 961
	40 683 260	**19 125 642**

Figures in Rand	2015	2014

38. Commitments

Authorised capital expenditure

	2015	2014
Already contracted for but not provided for		
• Infrastructure	19 840 478	5 209 381
Total capital commitments		
Already contracted for but not provided for	19 840 478	5 209 381

Authorised operational expenditure

	2015	2014
Already contracted for but not provided for		
• Project Management	730 728	-
• Short term insurance	343 800	-
• Contracted Services	9 598 708	-
• Security Services	4 274 981	6 442 390
• Vehicle Maintenance	5 723 110	-
	20 671 327	**6 442 390**
Total operational commitments		
Already contracted for but not provided for	20 671 327	6 442 390

Total commitments

	2015	2014
Total commitments		
Authorised capital expenditure	19 840 478	5 209 381
Authorised operational expenditure	20 671 327	6 442 390
	40 511 805	**11 651 771**

As at 30 June 2015, the following commitments existed:

Triotic Protection Services	- Security services contract for a period of 3 years.
Lateral Unison Insurance Brokers	- Provision of short term insurance for a period of 3 years.
KTS General Traders	- Sewer outfall,reticulation and yard connection per duration of project.
Lutavha Trading JV Tshumisano Trading	- Maintenance part of Vehicle lease for 36 months.
Omphile Electrical	- Installation of highmast lights as per duaration of project.
Akhile Management and Consulting (Pty) Ltd	- Assistance with financial year end procedures for a period of 2 years.
SML Projects	- PMU services for a period of 12 months.
Kabe Construction	- Stormwater and paving as per duration of project.

Service provider:	**Amount committed (Incl VAT)**
Triotic Protection Services	4 274 980
Lateral Unison Insurance Brokers	343 800
KTS General Traders	12 171 802
Kabe Construction	6 119 266
Lutavha Trading jv Tshumisano Trading	5 723 110
Omphile Electrical	1 549 410
Akhile Management and Consulting (pty) Ltd	9 598 708
SML Projects	730 727
	40 511 803

Figures in Rand	2015	2014

39. Related parties

The compensation of key management personnel is disclosed in note 27 to the annual financial statements.

Related party transactions

	2015	2014
Assets received from related parties - Donation		
Waterberg District Municipality	8 677 126	-

In the 2014/2015 Financial period assets to the total of R8 677 126 where donated to Mookgophong Local Municipality by the regional district municipality - Waterberg District Municipality.

40. Prior period errors

In the prior year, the municipality incorrectly recognised the provision for landfill site for an area that is not currently being used as a landfill site. Thus resulting in an overstatement of the provision for landfill site amounting to R7 110 171 and an overstatement of the property, plant and equipment amounting to R2 978 731. This error has been corrected retrospectively.)

The correction to the Provision for Landfill site resulted in the period prior to 2013 was adjusted and the opening balances of the the following items where adjusted with the following amounts:

- Provision for Landfill Site	6 269 341	
- Property, Plant and Equipment	-3 516 076	
- Accumulated Depreciation	956 200	
- Accumulated Surplus / Defecit	-3 709 523	(Refer to the Correction of error in the Statement of Equity

The correction of the error results in adjustments to the 2014 comaparitive figure as follows:

	2015	2014
Statement of Financial Position		
Provision for Landfill Site	-	840 829
Property, Plant and Equipment	-	(464 668)
Accumulated Depreciation	-	45 755
Accumulated Surplus / Deficit - Correction of Error	-	(421 915)
Statement of Financial Performance		
Interest Cost	-	(376 160)
Depreciation	-	(45 755)

Prior to the 2014/2015 financial period a monument was erected in front of the municipality. The cost of construction was expensed in the year it was constructed and the monument was not recognised as a Heritage Asset. Subsequently in 2014/2015 the monument was recognised as a Heritage Asset and the fair value was recognised against the Accumalated Surplus/Defecit

The electricty levies for 2013/2014 was allocated to the incorrect financial period after the June billing. This was corrected against the Accumalated Surplus and Deficit and against the Service Revenue in the Statement of Financial Performance. This was done retrospectively for both periods affected by the correction. The net effect is a reduction of revenue in one financial period and a increase in revenue in the other period.

The property rates for various properties was corrected for the 2013/2014 period after the June billing which includes write-offs and levies. This was corrected retrospectivley for both financial periods.

41. Comparative figures

The following comparitive figures have been reclassified:

- Licences and permits is disclosed seperately, it was previously disclosed as part of Income from Agency Services
- Connection and Reconnection Fees, Insurance Claims and Cemetry Fees previously disclosed as part of Other Revenue is now disclosed seperately
- Materials reclassified as Repairs and Maintenance and portion of Repairs and Maintenance reclassified as General Expenses
- Collection Cost previously disclosed under General Expenses now disclosed seperately
- Finance Cost and Contracted Services disclosed separately where it was previously incorrectly disclosed under Employee Related Cost

Figures in Rand	2015	2014

41. Comparative figures (continued)

The effect of the reclassification are as follows:

Statement of Financial Performance	-	2 917 792
Income from Agency Services	-	(2 917 792)
Licences and Permits	-	(28 038)
Connection and reconnection fees	-	(545 458)
Insurance Claims and Cemetry Fees	-	570 622
Other Revenue	-	(5 296 986)
Materials	-	4 817 678
Repairs and Maintenance	-	140 740
General Expenses	-	(1 229 269)
Employee Related Cost	-	985 067
Finance Cost	-	620 368
Contracted Services		

42. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

43. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 175 405 505 and that the municipality's total lassets exceed its liabilities by R 174 272 097.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The Mookgophong Local Municipality will in the coming financial period merge with the current Modimolle Local Municipality to form one municipality. In the next financial year the municipality will also be implementing Municipal Standard Chart of Accounts.

Notes to the Financial Statements

Figures in Rand	2015	2014

44. Unauthorised expenditure

Opening balance (correction from previous year)	19 188 693	15 308 135
Unauthorised expenditure current year:		
Conditional Grants spent on operational expenses	6 379 933	-
Over expenditure on current budget	29 706 656	15 316 037
Approved by Council or condoned:		
Over expenditure on current budget	(15 316 037)	(8 235 479)
Transfer to receivables for recovery or repayed to creditor:		
Grants repaid to National Treasury	(3 872 656)	(3 200 000)
Unauthorised expenditure awaiting authorisation	**36 086 589**	**19 188 693**

45. Fruitless and wasteful expenditure

Opening balance	2 068 473	548 050
Add: Fruitless and wasteful expenditure-Current year	4 776 782	2 068 473
Less: Amounts condoned or written off by council	(2 068 473)	(548 050)
	4 776 782	**2 068 473**

46. Irregular expenditure

Opening balance	24 675 316	24 675 316
Irregular Expenditure - current year	783 501	-
Approved by National Treasury	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular Expenditure awaiting condonement	**25 458 817**	**24 675 316**

Refer to Note 53 for full detail on the Irregular Expenditure for previous periods not yet condoned.

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	650 693	1 355 661
Current year subscription / fee	1 854 818	1 813 132
Amount paid - current year	(2 256 675)	(2 518 100)
	248 836	**650 693**

PAYE,SDL and UIF

Current year subscription / fee	6 002 978	5 631 602
Amount paid - current year	(6 002 978)	(5 631 602)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	12 856 074	10 329 610
Amount paid - current year	(12 856 074)	(10 329 610)
	-	-

Figures in Rand	2015	2014

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	1 385 966	-
VAT payable	-	1 894 735
	1 385 966	**1 894 735**

VAT output payables and VAT input receivables are shown in note 20.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M.R Kekana	9 340	37 812	47 152

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M.R Kekana	4 246	39 639	43 885
K.S Lamola	5 579	7 359	12 938
	9 825	**46 998**	**56 823**

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the financial statements.

Disclosure of deviations in terms of Section 36 of the Supply Chain Regulations		
Approved in terms of Single Provider procurement, sec 36 (1) (a) (ii)	3 719 821	2 970 327
Approved in terms of Minor breaches of the procurement process, sec 36 (1) (b)	15 000	60 329
Approved in terms of Emergency Procurement, sec 36 (1) (a) (i)	1 856 680	1 912 469
	5 591 501	**4 943 125**

The above deviations were reported to and have been approved by Council

Figures in Rand	2015	2014

49. Contingencies

Contingent liabilities
The following contingent liabilities existed at year-end:

VD transcribers consultants vs Mookgophong Local Municipality		
Claims agains the municipality for services rendered.The municipality is contesting the authencticity of the claim.	-	53 500
MV Chauke vs SVJ Maphondo and others		
Assault against employee. The municipality bears the legal cost on behalf of the victimised employee	-	120 000
NP Magwala vs S Kekana and others		
Assault against employee.The municipality bears the legal cost on behalf of the victimised employee	-	120 000
Malukela vs Mookgophong Local Municipality		
Unfair dismissal claim against the municipality. The outcome of the case is awaited.	200 000	150 000
SAMWU vs Mookgophong Local Municipality		
Unfair labour practice in respect of appointments.	420 000	90 000
George Gerbet Jackson vs Mookgophong Local Municipality		
Claim against the municipality for injuries on municipal premises.	150 000	180 000
Chauke Shirelo David vs Mookgophong Local Municipality		
Municipal official involved in an accident. Claimant instituted against the municipality.	320 000	60 000
XW Ngobeni vs Mookgophong Local Municipality		
Former employee is claiming alleged short payment on salary while in employment.	500 000	-
Vosloo vs Mookgophong Local Municipality		
Spoilation order against the municipality.	170 000	-
NC Mahlaela vs Mookgophong Local Municipality		
Disciplinary process against employee.	200 000	-
Mashishi and other vs Mookgophong Local Municipality		
Restraint order	300 000	-
	2 260 000	**773 500**

50. Contingent Assets

The following contigent assets existed at year-end:

JF de Beer vs Mookgophong local municipality		
Court ruled in favour of the municipality. The cost to be paid by the applicant after taxation took place.	556 000	556 000

51. Distribution losses

Electricity	7 124 992	8 161 490
Water	954 196	2 327 480
	8 079 188	**10 488 970**

52. Budget Variance Explanations

The following list relates to reasons for significant fluctuations in the difference between Current Year Actuals and Budgeted Amounts and acts as reference to the Statement of Budget Comparisons

52.1 Significant fluctuations could only be detected after midyear report.

52.2 Additional funding received from MIG

52.3 Significant fluctuations could only be detected after final calculations on debt impairment after June 2015.

52.4 Was budgeted under General expenses.

52.5 Significant fluctuations excellerated after midyear report and adjustments budget. A further adjustments budget was approved in July 2015

Figures in Rand	2015	2014

52. Budget Variance Explanations (continued)

52.6 Over-expenditure was detected after calculations was done on vehecle leases. Will be reported to council.

52.7 Incorrectly budgeted

52.8 Donation was accounted for only at yearend after reconciliations were done.

52.9 Rental of Facilities and Equipment and Cemetrry Fees were budgeted under Other Revenue

52.10 Other Revenue. Over budgeted

52.11 Interest on Investments - Collection rate above expectation

52.12 Impairment Loss on Assets were not budgeted for because Council did not plan to impair any assets

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Write-off Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	39 947 133	-	-	493 601	(335 783)	(1 467 509)	38 637 442	-	-	-	(2 028 067)	230 068	(1 797 999)	36 839 443
Infrastructure	133 599 940	9 167 359	(287 461)	6 517 168	162 675	70 700	149 230 381	-	-	-	(8 826 113)	-	(8 826 113)	140 404 268
Community Assets	4 777 795	-	-	3 040 468	-	(1 511 214)	6 307 049	-	-	-	(221 530)	-	(221 530)	6 085 519

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Write-off Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	180 521	180 521	-	-	-	-	-	-	180 521
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	21 784 416	28 342 758	-	-	-	80 426	50 207 600	-	-	-	(4 019 115)	-	(4 019 115)	46 188 485

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Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Write-off Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	39 947 133	-	-	493 601	(335 783)	(1 467 509)	38 637 442	-	-	-	(2 028 067)	230 068	(1 797 999)	36 839 443
Infrastructure	133 599 940	9 167 359	(287 461)	6 517 168	162 675	70 700	149 230 381	-	-	-	(8 826 113)	-	(8 826 113)	140 404 268
Community Assets	4 777 795	-	-	3 040 468	-	(1 511 214)	6 307 049	-	-	-	(221 530)	-	(221 530)	6 085 519
Heritage assets	-	-	-	-	-	180 521	180 521	-	-	-	-	-	-	180 521
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	21 784 416	28 342 758	-	-	-	80 426	50 207 600	-	-	-	(4 019 115)	-	(4 019 115)	46 188 485
-	200 109 284	37 510 117	(287 461)	10 051 237	(173 108)	(2 647 076)	244 562 993	-	-	-	(15 094 825)	230 068	(14 864 757)	229 698 236
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	100 958	-	-	-	-	-	100 958	-	-	-	(50 469)	-	(50 469)	50 489
Investment properties														
Investment property	17 012 753	-	(1 474 906)	-	-	798 904	16 336 751	-	-	-	-	-	-	16 336 751
	17 012 753	-	(1 474 906)	-	-	798 904	16 336 751	-	-	-	-	-	-	16 336 751
Total														
Land and buildings	39 947 133	-	-	493 601	(335 783)	(1 467 509)	38 637 442	-	-	-	(2 028 067)	230 068	(1 797 999)	36 839 443
Infrastructure	133 599 940	9 167 359	(287 461)	6 517 168	162 675	70 700	149 230 381	-	-	-	(8 826 113)	-	(8 826 113)	140 404 268
Community Assets	4 777 795	-	-	3 040 468	-	(1 511 214)	6 307 049	-	-	-	(221 530)	-	(221 530)	6 085 519
Heritage assets	-	-	-	-	-	180 521	180 521	-	-	-	-	-	-	180 521
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	21 784 416	28 342 758	-	-	-	80 426	50 207 600	-	-	-	(4 019 115)	-	(4 019 115)	46 188 485
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	100 958	-	-	-	-	-	100 958	-	-	-	(50 469)	-	(50 469)	50 489
Investment properties	17 012 753	-	(1 474 906)	-	-	798 904	16 336 751	-	-	-	-	-	-	16 336 751
	217 222 995	37 510 117	(1 762 367)	10 051 237	(173 108)	(1 848 172)	261 000 702	-	-	-	(15 145 294)	230 068	(14 915 226)	246 085 476

Appendix B

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	52 895 654	464 669	-	-	-	-	53 360 323	-	-	-	-	-	-	53 360 323
Infrastructure	132 854 654	647 525	(13 440)	-	-	-	133 488 739	-	-	-	-	-	-	133 488 739
Community Assets	5 478 964	-	-	-	-	(500)	5 478 464	-	-	98	(700 767)	-	(700 669)	4 777 795

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June 2015

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	26 191 375	11 467 735	(337 253)	(13 607 485)	-	60 700	23 775 072	-	-	-	(1 857 566)	(133 090)	(1 990 656)	21 784 416

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	217 420 647	12 579 929	(350 693)	(13 607 485)	-	60 200	216 102 598	-	-	98	(2 558 333)	(133 090)	(2 691 325)	213 411 273
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	100 958	-	-	-	-	-	100 958	-	-	-	-	-	-	100 958
Investment properties	15 501 540	-	-	1 511 213	-	-	17 012 753	-	-	-	-	-	-	17 012 753
Total	233 023 145	12 579 929	(350 693)	(12 096 272)	-	60 200	233 216 309	-	-	98	(2 558 333)	(133 090)	(2 691 325)	230 524 984

Appendix B
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
											Yes/ No	
Municipal Infrastructer Grant	National Treasury	5 000 000	4 127 343	9 766 000	-	1 492 943	4 119 430	5 789 357	4 160 687		Yes	
Municipal Systems Improvement Grant	National Treasury	934 000	-	-	-	-	260 000	271 593	402 407		Yes	
Financial Management Grant	National Treasury	1 800 000	-	-	-	233 518	161 864	579 937	824 681		Yes	
Expandable Public Works Programme	National Treasury	454 000	340 000	340 000	-	119 107	380 296	409 218	225 379		Yes	
		-	-	-	-	-	-	-	-		Yes	
		3 188 000	4 467 343	0 106 000	-	1 845 568	4 921 590	7 050 105	5 613 154			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.